

AGENDA
FREMONT REDEVELOPMENT AGENCY REGULAR MEETING
JUNE 7, 2011
7:00 P.M.

1. CALL TO ORDER

2. CONSENT CALENDAR

Items on the Consent Calendar are considered to be routine by the Redevelopment Agency and will be enacted by one motion and one vote. There will be no separate discussion of these items unless an Agency Member or citizen so requests, in which event the item will be removed from the Consent Calendar and considered in its normal sequence on the agenda. Additionally, other items without a "Request to Address the Redevelopment Agency Board" card in opposition may be added to the consent calendar. (In the report section of the agenda, consent items are indicated by an asterisk.)

2.1 Approval of Minutes – for the Regular Meeting of May 24, 2011.

3. PUBLIC COMMUNICATIONS

3.1 Oral and Written Communications

4. PUBLIC HEARINGS

4.1 FY 2011/12 REDEVELOPMENT AGENCY BUDGET FIRST PUBLIC HEARING
First Public Hearing Regarding Redevelopment Agency Annual Budget for FY 2011/12

Contact Person:

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RECOMMENDATIONS:

1. Hold a public hearing.
2. Provide direction as needed on issues pertaining to the FY 2011/12 proposed Redevelopment Agency budget.

4.2 PUBLIC HEARING ON REDEVELOPMENT AGENCY IMPLEMENTATION PLAN MID-TERM REVIEW

Public Hearing (Published Notice) on Redevelopment Agency Implementation Plan Mid-term Review

Contact Person:

Name:	Irene de Jong	Elisa Tierney
Title:	Redevelopment Business Manager	Redevelopment Director
Dept.:	Housing and Redevelopment	Housing and Redevelopment
Phone:	510-494-4510	510-494-4501
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RECOMMENDATION: Hold a public hearing on the Redevelopment Agency Implementation Plan Mid-term Review for purposes of reviewing the progress of the Implementation Plan.

5. OTHER BUSINESS

5.1 Report Out from Closed Session of Any Final Action

5.2 AUTHORIZATION TO NEGOTIATE AND EXECUTE IMPROVEMENT AND MAINTENANCE AGREEMENTS WITH PROPERTY OWNERS FOR ACCEPTANCE AND IMPROVEMENT OF IRON HORSE LANE

Authorize the City Manager, or His Designee, and the Redevelopment Agency Executive Director, or His Designee, to Negotiate and Execute Improvement and Maintenance Agreements Between the City of Fremont, the Redevelopment Agency of the City of Fremont, and Owners of Real Property Abutting Iron Horse Lane, under Certain Prescribed Conditions, in Order to Cause the Physical Improvement and Acceptance of Iron Horse Lane from F Street to its Southeastern Terminus as a Public Street

Contact Person:

Name:	Josh Huber	Elisa Tierney
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RECOMMENDATION: Staff recommends that the City Council and Redevelopment Agency Board authorize the City Manager, or his designee, and the Redevelopment Agency Executive Director, or his designee, to negotiate and execute Improvement and Maintenance Agreements with the owners of real property abutting Iron Horse Lane, under the conditions described in this staff report, in order to cause the physical improvement and acceptance of Iron Horse Lane from F Street to its southeastern terminus as a public street.

5.3 CONVEYANCE OF THE MUNICIPAL PARCEL TO THE CITY OF FREMONT
Adopt Resolution Authorizing Conveyance of the Municipal Parcel from the
Redevelopment Agency to the City of Fremont and Make Related Statutory Findings

Contact Person:

Name:	Irene de Jong	Elisa Tierney
Title:	Redevelopment Business Manager	Redevelopment Director
Dept.:	Housing and Redevelopment	Housing and Redevelopment
Phone:	510-494-4510	510-494-4501
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RECOMMENDATION:

1. Approve the conveyance of the 40.1- acre Municipal Parcel site (APN 531-0185-012), depicted as Parcel A in Enclosure 3, from the Redevelopment Agency to the City of Fremont in the amount of \$4,372,117 and make related statutory findings; and
2. Deposit the sale proceeds in the Redevelopment Agency Opportunity/Contingency account (RDA1026).

5.4 REDEVELOPMENT AGENCY ISSUANCE OF TAX ALLOCATION BONDS
Re-Authorization to Issue 2011 Redevelopment Agency Tax Allocation Bonds

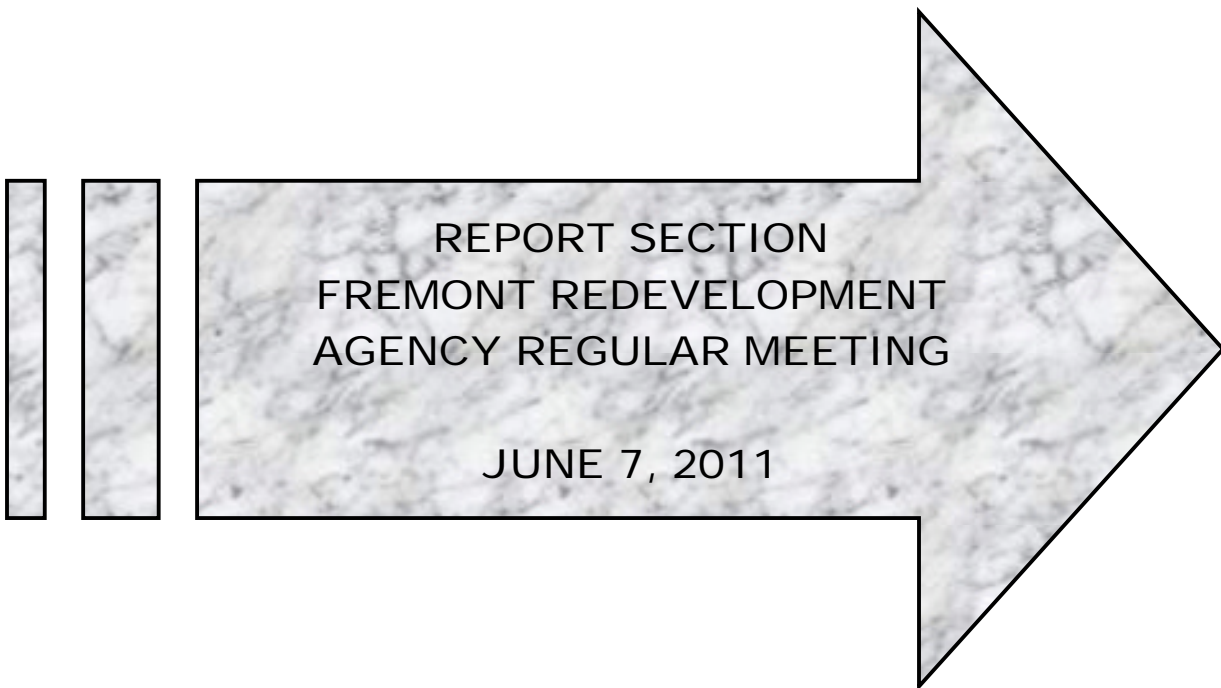
Contact Person:

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RECOMMENDATION: Staff recommends that the Redevelopment Agency Board act as follows:

1. Approve the issuance of the 2011 Tax Allocation Bonds.
2. Adopt a resolution authorizing the issuance and sale of tax allocation bonds to finance redevelopment activities within or for the benefit of the Agency's Fremont Merged Redevelopment Project and approving related documents and actions. The financing documents are as follows:
 - Preliminary Official Statement
 - Indenture of Trust
 - Bond Purchase Agreement
 - Continuing Disclosure Certificate
3. Authorize and direct the Executive Director, the Secretary, and any and all other officers of the Agency to take any and all actions necessary to consummate the lawful issuance and sale of the 2011 Tax Allocation Bonds.
4. Approve the sale of tax allocation bonds on a negotiated basis, as determined by market conditions at the time of sale.

6. ADJOURNMENT



4.1 FY 2011/12 REDEVELOPMENT AGENCY BUDGET FIRST PUBLIC HEARING

First Public Hearing Regarding Redevelopment Agency Annual Budget for FY 2011/12

Contact Person:

Name:	Irene de Jong	Elisa Tierney
Title:	Redevelopment Business Manager	Redevelopment Director
Dept.:	Housing and Redevelopment	Housing and Redevelopment
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Executive Summary: Pursuant to California Redevelopment Law, the Redevelopment Agency must formally adopt an annual budget. The Redevelopment Agency's budget is incorporated as a component of the City's budget document, for which a public hearing is scheduled on tonight's City Council agenda. Staff recommends the Agency Board hold a public hearing on the Agency's FY 2011/12 annual budget as required by State law. The Agency Board will consider adoption of the budget at a second public hearing on June 14, 2011.

BACKGROUND: California Redevelopment Law requires each redevelopment agency to prepare and adopt an annual budget. As in past years, the Redevelopment Agency's proposed budget resolution will adopt the City's budget policies for Redevelopment Agency use to the extent applicable and otherwise allowable by law. The Redevelopment Agency's budget is included for informational purposes in the City's operating budget document and the City's Capital Improvement Program. This is more convenient than maintaining a separate document because the Redevelopment Agency's activities share a close relationship with those of the City.

The Redevelopment Agency FY 2011/12 budget was developed under the current guidelines of the California Redevelopment Law. However, on January 10, 2011, the Governor released his fiscal year 2011/12 budget proposal, which included, as a major provision, elimination or "disestablishment" of redevelopment agencies throughout the State by July 1, 2011. While the Governor's proposal to "disestablish" redevelopment agencies has not yet received the necessary legislative support, it remains available for consideration by the Legislature at any time. In response to the Governor's proposal, a number of compromise alternatives have been introduced. These proposals, Senate Bills 286 and 450, aim to preserve redevelopment statewide while providing significant reforms for both non-housing and affordable housing aspects of the Community Redevelopment Law. In the event that the proposed legislation to "disestablish" or reform redevelopment agencies becomes effective, staff will present a revised budget for Agency Board review and consideration.

DISCUSSION/ANALYSIS:

Operating Budget: The operating budget (Exhibit 1) reflects revenues and expenditures for the Redevelopment Agency for FY 2011/12. Total property tax increment revenues are budgeted for FY 2011/12 at \$34.5 million. Pursuant to State law, 20% of the total property tax increment (approximately \$6.9 million) will be set aside in the Affordable Housing Fund.

The total amount of proposed new project appropriations in FY 2011/12 is \$148.3 million for both housing and non-housing purposes. A significant portion of the new appropriations, \$134.2 million, will

be devoted to the Irvington BART station regional transportation project. This project will be funded with the proceeds from the Agency's Tax Allocation Bonds, which the Agency is expecting to issue by the end of 2011. The Agency does not anticipate adding any new staffing for implementing its affordable housing programs and non-housing activities.

Project Work Program: The summary appropriations for redevelopment and affordable housing for FY 2011/12, as detailed in the enclosure, include funding requests for the Redevelopment Agency's work program. The Project Work Program is not a complete list of all previously funded Agency projects, and some previously funded activities, such as Phase 1B of the I-880/Mission Boulevard Interchange, may still be underway. Project appropriations remain in effect for the duration of the project.

Non-Housing: This year's Project Work Program includes \$142.8 million of new, non-housing project appropriations. The Agency will contribute a major portion of these new appropriations, \$134.2 million, to the Irvington BART station project, a significant regional transportation effort. The remaining amount of new appropriations, approximately \$8.6 million, will be invested in various infrastructure improvements and revitalization efforts in the historic districts of Centerville, Irvington, and Niles. In response to the recent economic recession and the delayed economic recovery, the Agency will continue focusing its non-housing investments on supporting enhanced business performance in the historic districts and on public infrastructure improvements across the redevelopment project areas.

Housing: The Housing portion of the Project Work Program includes expenditures for affordable housing projects and programs.

Project Name	FY 2010/11 Appropriations	Estimated Actual 6/30/2011	Proposed FY 2011/12 Appropriations
	(dollars in thousands)		
Apartment Acquisition and Rehabilitation	\$240	\$200	\$240
First Time Home Buyer Program	1,200	1,200	700
Neighborhood Home Improvement Program	480	480	480
Preservation of Affordable Housing	120	120	0
Implementation of Inclusionary Housing Ordinance	240	240	0
Rental Subsidy Assistance Programs	250	250	100
Opportunity Fund/Contingency	1,500	1,500	4,000
TOTAL	\$4,030	\$3,990	\$5,520

This year's Project Work Program includes approximately \$5.5 million of new appropriations for housing. Of this amount, approximately \$1.5 million will be committed to various ongoing programs, including the First Time Homebuyer Program, the Neighborhood Home Improvement Program, the Apartment Acquisition and Rehabilitation Program (with a reduced FY 2011/12 appropriation consistent with the Agency Board direction of ultimately achieving a 90%/10% funding allocation between rental and ownership programs), as well as efforts to preserve existing affordable housing (utilizing existing appropriations, since there will be no housing developments with affordability restrictions expiring next year), and continued efforts to provide one-time emergency rental subsidy assistance to the elderly and people with disabilities. The remaining \$4 million will be set aside for creating new affordable housing opportunities and for funding unanticipated contingencies.

Redevelopment Agency Project Highlights: The Agency's established order of funding priorities is debt service, affordable housing, completion of regional transportation projects, and strategic investments in the historic districts. The proposed Project Work Program was developed in alignment with the Agency's adopted Five-year Implementation Plan for the period of July 1, 2008 - June 30, 2013. The Five-year Implementation Plan, which was amended and restated in March 2010, calls for investments in programs that attract new businesses and support performance of existing businesses in the project areas, enhance the appearance and function of private properties in project areas, invest in public infrastructure, and eliminate blight. A brief summary of the Work Program highlights follows.

Regional Transportation: The Agency is requesting \$134.2 million of new appropriations for the preliminary engineering, property acquisition, design, and construction of the new Irvington BART station. Once completed, this project will support both the revitalization of the commercial areas in the Irvington district as well as foster development of transit-oriented affordable housing projects.

Project Name	FY 2010/11 Appropriations	Estimated Actual 6/30/2011	Proposed FY 2011/12 Appropriations
	(dollars in thousands)		
Irvington BART Station	\$0	\$0	\$134,200
TOTAL	\$0	\$0	\$134,200

Strategic Investments in the Historic Districts

Centerville: The primary focus in the Centerville Area in recent years has been on establishing and implementing a framework plan for future development in the commercial core of Centerville (the area along Fremont Boulevard from Thornton to Central). The Centerville Framework Plan identifies future development including streetscape and other public improvements, possibilities for shared and public parking, pedestrian circulation and urban design. A key component of the Framework Plan is the implementation of Fremont Boulevard reconfiguration and streetscape improvements to make the street safer and more accessible for all modes of transportation. Another integral project in Centerville is the development of the six-acre Centerville Unified Site through a public/private partnership focused on creating a mix of retail storefronts and residential units with architectural design consistent with the character of Centerville. The Agency has appropriated nearly \$16.9 million to assemble, remediate, and

fund public improvements associated with the site. The Agency is in contract with a development team and, over the course of FY 2011/12, will negotiate a disposition and development agreement (DDA) with the developer, recommend a development plan to the Agency Board, and, if approved by the Agency Board, commence the entitlement process for the new development. Any additional appropriation for project funding will occur at the time of DDA approval.

Project Name	FY 2010/11 Appropriations	Estimated Actual 6/30/2011	Proposed FY 2011/12 Appropriations
	(dollars in thousands)		
Fremont Boulevard Improvements	\$0	\$0	\$1,250
Baine/ Dusterberry Pedestrian Improvements	0	0	600
Quiet Zones	0	0	1,500
Re-Use of Dusterberry/Peralta Site	0	0	125
TOTAL	\$0	\$0	\$3,475

New appropriation requests for the Centerville Area total \$3,475,000 and include a new appropriation of \$1.25 million for the initial stages of design for traffic reconfiguration, pedestrian and bicycle improvements to the portion of Fremont Boulevard between Central Avenue and Thornton Boulevard, \$600,000 for pedestrian improvements to the intersection of Baine and Dusterberry; \$1.5 million for quiet zone improvements to three railroad crossings (at Fremont, Maple and Dusterberry) in order to mitigate sound pollution caused by train operations, and \$125,000 in pre-development funding to determine the feasibility of potential new community facilities focused on teens/youth at the Dusterberry/Peralta Boulevard site.

Irvington: In addition to the proposed funding for the Irvington BART Station, new appropriations in the Irvington Area for FY 2011/12 total \$1.7 million. A significant portion of this funding will be used for potential property acquisition, and implementation of the Irvington Concept Plan (such as initiating a work plan for Main Street improvements, which may include recommendations for streetscape design and land use regulation). A new appropriation of \$200,000 for the Grimmer Greenbelt Gateway project to fund detailed design of improvements to create a meandering landscaped pedestrian and bicycle path from Fremont Boulevard across Paseo Padre Parkway and into Central Park.

Project Name	FY 2010/11 Appropriations	Estimated Actual 6/30/2011	Proposed FY 2011/12 Appropriations
	(dollars in thousands)		
Irvington Concept Plan Implementation	\$0	\$0	\$500
Property Acquisition	0	0	1,000
Greenbelt Gateway along Grimmer Boulevard	250	250	200
TOTAL	\$250	\$250	\$1,700

Niles: The Agency's activities in Niles will continue to focus on infrastructure improvements and economic revitalization efforts in the district. New appropriation requests for FY 2011/12 total \$2.2 million and will provide funding for a number of new initiatives, as well as projects which are currently underway. An allocation of \$750,000 will fund the design and initial construction activities for the Sullivan Underpass improvements, to enhance the safety of pedestrians crossing the Union Pacific right of way from the publicly owned County property to the Niles commercial district. An appropriation of \$600,000 will fund Quiet Zones for grade crossing improvements at the Nursery Avenue and Union Pacific railway crossing, and a \$400,000 allocation will allow the Agency to move forward with planning and design of physical improvements to Iron Horse Lane, a historical alley serving the Niles commercial district. New appropriations of \$250,000 will fund the ongoing Commercial Revitalization/Transit Enhancement program and an additional \$200,000 will provide necessary resources for continuation of the Façade/Commercial Rehabilitation program efforts aimed at revitalizing the district's commercial core.

Project Name	FY 2010/11 Appropriations	Estimated Actual 6/30/2011	Proposed FY 2011/12 Appropriations
	(dollars in thousands)		
Niles Alley (Iron Horse Lane) Improvements	\$0	\$0	\$400
Quiet Zones	0	0	600
Sullivan Underpass Pedestrian Safety Improvements	0	0	750
Niles Commercial Revitalization and Transit Enhancement Program	100	100	250
Façade/Commercial Rehabilitation Program	0	0	200
TOTAL	\$100	\$100	\$2,200

All Redevelopment Area Historic Districts: A new appropriation of \$1,225,000 for FY 2011/12 is allocated for a number of infrastructure improvement efforts across all historic districts. The Agency's contribution of \$300,000 will provide additional resources for the focused streetscape and landscaping improvements along various sections of Fremont Boulevard, which run through the central commercial districts of Irvington and Centerville. An appropriation of \$500,000 will fund design, right-of-way and initial construction activities for streetscape and signage enhancements at various locations throughout the districts. Additionally, a \$250,000 appropriation will provide funding for facilitating utility undergrounding at main thoroughfare locations, and a new allocation of \$175,000 will fund hazardous materials clean-up of contaminated sites.

Project Name	FY 2010/11 Appropriations	Estimated Actual 6/30/2011	Proposed FY 2011/12 Appropriations
	(dollars in thousands)		
Fremont Boulevard Streetscape Improvements	\$0	\$0	\$300
Signage and Streetscape Improvements	0	0	500
Utility Undergrounding	0	0	250
Hazardous Materials Clean-up	0	0	175
TOTAL	\$0	\$0	\$1,225

FISCAL IMPACT: The Project Appropriations Plan serves much the same purpose for the Redevelopment Agency that the Capital Improvement Program (CIP) serves for the City. It is a method of authorizing appropriations for specific projects, which remain in effect for the duration of the projects. The Project Appropriations Plan only includes projects with new appropriations requests and does not represent a complete list of all Redevelopment Agency projects. The Project Appropriations Plan for FY 2011/12, described in some detail above, is summarized below:

DESCRIPTION	PROPOSED FY 2011/12 APPROPRIATIONS (\$ in thousands)	
Non-Housing:-		
Regional Transportation		\$134,200
Historic Districts:		
Centerville	\$3,475	
Irvington	1,700	
Niles	2,200	
All Historic Districts	<u>1,225</u>	<u>8,600</u>
Subtotal – Non-Housing		142,800
Housing		<u>5,520</u>
TOTAL		<u>\$148,320</u>

Findings Regarding the Project Appropriations Plan: The Agency finds, in accordance with Section 33445 of the Redevelopment Law, the following:

- (1) Such acquisition of the land or the installation or construction (collectively, “Development”) of the Public Improvements is provided for in the Redevelopment Plans and the Amended Plan;
- (2) Such Development of the Public Improvements is of benefit to and benefits the Merged Project Area by helping to eliminate blight within the Merged Project Area or by providing and directly assisting in the provision of housing for low- or moderate- income persons;
- (3) No other reasonable means of financing the Development of the Public Improvements are available to the community, including, but not limited to, general obligation bonds, revenue bonds, special assessment bonds, or bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code); and
- (4) Such payment of funds for the Development of the Public Improvements is consistent with the Implementation Plan and the Amended Implementation Plan adopted pursuant to Sections 33352(c), 33451.5(c)(7) and 33490 of the Redevelopment Law.

Pursuant to Section 2(p) of Ordinance No. 5-2010 dated March 16, 2010, which was adopted in connection with the Redevelopment Plan Amendment, the City Council made the findings required by Section 33445 of the Redevelopment Law with respect to Public Improvements.

Findings Regarding Administrative Expenses for Affordable Housing Activities: The Redevelopment Agency Board must make a determination that planning and administrative expenses are necessary for the production, improvement, or preservation of low and moderate income housing (affordable housing). The total salaries, benefits, and operating expenditures of the proposed annual operating budget for the Affordable Housing Fund, including administrative support costs, are \$950,000, which is approximately 14.6% of the \$6.51 million total proposed expenditures for operations, capital projects and programs. This is a necessary level of planning and administrative expenses to support Redevelopment Agency programs to produce, improve, and preserve affordable housing.

In FY 2010/11, the Agency began implementing a new staff time accounting process, which allows a more accurate allocation of staff expenditures toward Agency-funded projects and programs. As a result, the Agency expects that its overall level of administrative expenses will continue to decrease in proportion to the total capital projects and programs, and will be considerably lower than 14.6%. While it is not a full year's data, to date, this accounting indicates that the majority of staff time paid for out of the Affordable Housing Fund is dedicated to specific projects and programs, and not administrative support.

ENVIRONMENTAL REVIEW: None.

ENCLOSURE: [Redevelopment Agency Proposed Operating Budget FY 2011/12](#)

RECOMMENDATIONS:

1. Hold a public hearing.
2. Provide direction as needed on issues pertaining to the FY 2011/12 proposed Redevelopment Agency budget.

4.2 PUBLIC HEARING ON REDEVELOPMENT AGENCY IMPLEMENTATION PLAN MID-TERM REVIEW

Public Hearing (Published Notice) on Redevelopment Agency Implementation Plan Mid-term Review

Contact Person:

Name:	Irene de Jong	Elisa Tierney
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Executive Summary: California Redevelopment Law (CRL) requires redevelopment agencies to adopt a new implementation plan every five years and to conduct a mid-term public hearing to review the plan. In June 2008, the Fremont Redevelopment Agency adopted its current Implementation Plan for the Fremont Merged Redevelopment Project Area, effective from July 1, 2008 through June 30, 2013, and subsequently amended the Plan in March 2010 in connection with the approval of the Agency Plan Amendment. This mid-term review covers the first half of the Implementation Period (July 1, 2008 - December 31, 2010). The document highlights the Agency's accomplishments since the current Implementation Plan adoption and proposes future initiatives, consistent with the Plan, for the next 2.5 years. Staff recommends the Agency Board hold a public hearing for the Implementation Plan Mid-term Review as required by the California Redevelopment Law.

BACKGROUND: An Implementation Plan establishes the Redevelopment Agency's policy priorities for the duration of the five-year Implementation Period and provides an explanation of how the Agency's goals, objectives and programs will serve to eliminate blight in the Redevelopment Project Areas. AB 1290 and SB 732, enacted as comprehensive reforms of the California Redevelopment Law (CRL), established regulations requiring each redevelopment agency to adopt an Implementation Plan by no later than December 31, 1994. The regulations also require redevelopment agencies to update the plan every five years and to conduct a mid-term public hearing to review the plan. The current Implementation Plan for the Fremont Merged Redevelopment Project Area is in effect from July 1, 2008 through June 30, 2013, and this Mid-term Review covers the July 1, 2008 - December 31, 2010 period.

DISCUSSION/ANALYSIS: The enclosed mid-term review document consists of two sections: "Accomplishments" and "Future Initiatives." The "Accomplishments" section highlights the Agency's achievements throughout the first half of the Implementation Period for both non-housing projects and affordable housing activities. The non-housing segment of the "Accomplishments" section provides an overview of projects completed or initiated in the four subareas comprising the Merged Project Area, aimed at eliminating blight. These projects fulfill Implementation Plan objectives stated in 2008 and, more specifically, focus on supporting enhanced performance of businesses; stimulating investments in privately owned property; and improving public infrastructure.

The affordable housing segment of the "Accomplishments" section emphasizes the Agency's achievements in increasing Fremont's supply of affordable housing stock through the Agency's investment in the Five Point Program. Specifically, the Five Point Program focuses on the following

objectives: new construction of affordable housing, the first time homebuyer program, the home improvement loan program, apartment acquisition and rehabilitation, and preservation of affordable housing.

The Agency's non-housing "Accomplishments" focus on the elimination of physical and economic blight across the redevelopment project areas. Some highlights of the specific achievements over the past 2.5 years include completion of the Niles Town Plaza, Bay Street Streetscape project and the Centerville Framework Plan study; funding of sidewalk and streetscape improvements at various locations in the historic districts (G, I and J Streets in Niles, Osgood Road in Irvington, and Joseph Street in Centerville); facilitating preliminary engineering and design of the Irvington BART station, and securing the Agency's long-term revenue stream necessary for continuing critical community revitalization efforts in redevelopment areas.

The "Future Initiatives" component of the Implementation Plan Mid-term Review outlines and briefly describes a list of the Agency's proposed projects and programs that will reduce blight in the four subareas of the Merged Project Area and will result in increasing the City's stock of affordable housing. These future initiatives, largely made possible with the enhanced revenue from the 2010 Plan Amendment for the Industrial area portion of the Merged Project Area, will include the following non-housing projects: design and construction of the Irvington BART station, implementation of the elements of the Centerville Framework Plan (such as Fremont Boulevard reconfiguration and streetscape work; and exploration of public parking facility and parking district creation), Niles Alleys rehabilitation and improvements, as well as a number of road, streetscape, sidewalk and landscaping improvements throughout the districts. Additionally, staff will continue implementing the Façade Improvement and Commercial Rehabilitation Loan Programs, as well as developing marketing strategies, recruitment and leasing techniques targeted at revitalizing the commercial potential and retail environment in all project areas.

The future initiatives in the area of affordable housing will consist of possible housing for transition-age youth, and negotiating financing agreements to create at least one additional new housing development; seeking additional funding sources to leverage the Agency's affordable housing funds; continuing the implementation of the first-time homebuyer program, the home improvement loan program, and the Inclusionary Housing Ordinance; as well as providing assistance for apartment acquisition and rehabilitation (including setting aside funding for energy efficiency measures) and continuing the implementation of the affordable housing preservation strategy (including setting aside funding for a supplemental program for rental subsidy assistance). These proposed projects will be carried out during the remainder of the Implementation Period (until July 1, 2013) and are consistent with goals and objectives stated in the current Implementation Plan.

The Implementation Plan Mid-term Review document was developed under the current guidelines of the California Redevelopment Law. However, on January 10, 2011, the Governor released his fiscal year 2011/12 budget proposal, which included, as a major provision, elimination or "disestablishment" of redevelopment agencies throughout the State by July 1, 2011. While the Governor's proposal to "disestablish" redevelopment agencies has not yet received the necessary legislative support, it remains available for consideration by the Legislature at any time. In response to the Governor's proposal, a number of compromise alternatives have been introduced. These proposals, Senate Bills 286 and 450, aim to preserve redevelopment statewide while providing significant reforms for both non-housing and

affordable housing aspects of the Community Redevelopment Law. In the event that the proposed legislation to “disestablish” or reform redevelopment agencies becomes effective, staff will present a revised Implementation Plan for Agency Board review and consideration.

In January 2011, Agency staff presented the Implementation Plan Mid-term Review to the Agency Board to receive input. The Implementation Plan Mid-term Review received a positive response and no changes/modifications have been requested to date. The next step in the process is to conduct a formal public hearing for purposes of reviewing the progress of the Agency’s Implementation Plan. No other formal action is required by the Agency Board.

FISCAL IMPACT: The Implementation Plan Mid-term Review document is submitted for informational purposes only and has no fiscal impact.

ENVIRONMENTAL REVIEW: None.

ENCLOSURE: [Fremont Redevelopment Agency Implementation Plan Mid-term Review](#)

RECOMMENDATION: Hold a public hearing on the Redevelopment Agency Implementation Plan Mid-term Review for purposes of reviewing the progress of the Implementation Plan.

5.1 Report Out from Closed Session of Any Final Action

5.2 AUTHORIZATION TO NEGOTIATE AND EXECUTE IMPROVEMENT AND MAINTENANCE AGREEMENTS WITH PROPERTY OWNERS FOR ACCEPTANCE AND IMPROVEMENT OF IRON HORSE LANE

Authorize the City Manager, or His Designee, and the Redevelopment Agency Executive Director, or His Designee, to Negotiate and Execute Improvement and Maintenance Agreements Between the City of Fremont, the Redevelopment Agency of the City of Fremont, and Owners of Real Property Abutting Iron Horse Lane, under Certain Prescribed Conditions, in Order to Cause the Physical Improvement and Acceptance of Iron Horse Lane from F Street to its Southeastern Terminus as a Public Street

Contact Person:

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This is a joint item which appears this evening on both the City Council and Redevelopment Agency Board agendas.

Executive Summary: Staff recommends the Agency Board and City Council authorize staff to conduct negotiations and execute a series of Improvement and Maintenance Agreements with property owners whose properties are contiguous to Iron Horse Lane between F Street and the southeastern terminus of this alley at 37930 Second Street. These agreements would contractually obligate the Redevelopment Agency to fund capital improvements to Iron Horse Lane which would be performed by the City under a Public Works Contract (PWC). In exchange, the affected property owners would grant roadway easements for the benefit of the City, and the property owners on the side of Iron Horse Lane closest to Niles Boulevard would commit to funding the maintenance costs for twenty years. Furthermore, in order to mitigate any potential increase in legal liability, all affected property owners would fully indemnify and pledge to hold harmless the City of Fremont and Fremont Redevelopment Agency for potential claims related to the design, construction, or use of the improved alley.

BACKGROUND: Iron Horse Lane is the privately owned alley running parallel to, and a half block off, Niles Boulevard. It serves primarily as secondary access to the businesses along Niles Boulevard for deliveries and garbage pickup. It is an unimproved dirt path, approximately 20 feet wide, and is in generally poor condition. It is also the location of power poles, the underground sewer line, gas line and for the two blocks from H to J Streets, the location of the water supply line. Historically, the Alameda County Water District (ACWD) has not improved the undersized water facilities, citing a lack of the necessary easements. In addition, over the years, the dirt alley has been informally repaired using gravel and dirt to fill pot holes, slowly raising the grade of the alley and resulting in significant drainage problems for adjacent property owners.

DISCUSSION/ANALYSIS: Since 2006, when this project was first placed in the Agency's work plan, Redevelopment staff has worked closely with business leaders in Niles to identify a structure to resolve the problems presented by Iron Horse Lane for adjacent property owners while minimizing ongoing

maintenance costs that would otherwise fall on the City's constrained General Fund. Staff is now prepared to recommend an approach to solve the Iron Horse Lane issue, whereby the Redevelopment Agency would fund improvements to the alley which would be performed by the City in exchange for roadway easements and the granting of full indemnification of the City and Agency by the property owners. In addition, the property owners on the side of the alley closest to Niles Boulevard would be obligated to fund the maintenance costs of the alley for twenty years.

Proposed solution: Staff proposes to negotiate and execute Improvement and Maintenance Agreements with all property owners contiguous to Iron Horse Lane between F Street and the southeastern terminus of the alley. These agreements would obligate the Agency to fund the capital improvements, which would be performed by the City under a Public Works Contract (PWC). The agreements would also address a variety of issues, as discussed below. The improvements would consist of re-grading; installation of pervious concrete pavement; installation of drain inlets and storm drain connections; new sewer laterals, and installation of traffic calming measures. Pervious concrete pavement, which allows water to pass through the slab, is planned because it eliminates the need for storm water treatment, and also eliminates the need for the periodic seal coats and overlays required with asphalt paving. Prior to the City project, ACWD plans to replace the existing one-half and three-quarter-inch lines that serve as mains with six- or eight-inch mains and install new water service laterals. After the project, Union Sanitary District (USD) will line their sewer mains by working from existing manholes. Pacific Gas and Electric (PG&E) may be required to replace their gas lines depending on the condition and depth of mains and service laterals.

Maintenance: The Improvement and Maintenance Agreements would require the owners of property contiguous to Iron Horse Lane on the side closest to Niles Boulevard to fund the costs of routine maintenance, with each property owner responsible for a share of the maintenance costs equivalent to the percentage of the alley contiguous to their respective property. Failure to make the required annual maintenance payment by any property owner would result in a lien placed on the owner's real property. The annual cost of routine maintenance is estimated at approximately \$2,360 in current dollars, equating to about \$1.20 per linear foot of the alley. In future years, assessments for maintenance would be the lesser of the actual cost or the current estimate adjusted for inflation. Property owners will make their required payments to the Finance Department upon receipt of their annual bill. These funds will be placed in an account for use by the City's Public Works Department, which will manage the maintenance of the alley.

Benefits: The primary benefit to the project will be improvements to accessibility of properties on the alley provided simply through paving. In addition, the roadway easements will allow the City to accept Iron Horse Lane as a public street and therefore give clear access rights to public and private utility providers for maintenance and replacement of their facilities. In the case of the two blocks between H and J Streets, this will allow ACWD to correct a problem with low water pressure that has caused difficulties for property owners for years. It will also mitigate the flooding problems experienced by property owners adjacent to the alley caused by the rising grade of the alley surface. Finally, it will make it possible for owners to benefit from legal secondary vehicular access off the alley without incurring the significant cost of making improvements to the alley.

Improvement to Iron Horse Lane will not, however, create new opportunities for subdivision. The City's Subdivision Ordinance (§8-1504(g)) defines an alley or lane as "(a) street which provides only

secondary access for abutting properties.” The action recommended in this staff report is not intended to provide primary access to properties abutting the alley or allow the creation of new lots having the alley as the only street frontage.

Risks: Historically, the issue of increased legal liability for the City of Fremont has been the primary source of reticence to accepting Iron Horse Lane as a public street. Staff believes that the indemnification/hold harmless clause provides sufficient mitigation to the risk of potential legal liability. In addition, there is a risk that the improvements to Iron Horse Lane will intensify its use and result in increased traffic speeds. Staff believes this risk can be mitigated by the installation of traffic calming measures. Finally, there is some risk that not all the abutting property owners will accept the terms of the Improvement and Maintenance Agreements. These agreements would not take effect until agreements had been delivered by all abutting property owners and executed on behalf of the City Council and Agency Board by the City Manager and Redevelopment Agency Executive Director and until the City, in its judgment, determines that all planning and financial requirements are in place.

Next steps: Upon Council and Board authorization, staff will begin executing the agreements with the relevant property owners. Once all property owners have executed agreements, staff will proceed with design work and coordination with the appropriate utility providers, including ACWD, USD, and PG&E. Staff will return to Council and the Board for award of the construction contract, probably in early 2012.

FISCAL IMPACT: While there is no direct fiscal impact to authorizing the execution of the agreements, the cost of the planned capital improvements funded by the Redevelopment Agency is estimated at \$2.6 million in the upcoming CIP cycle.

ENVIRONMENTAL REVIEW: The authorization, execution and implementation of the improvement and maintenance agreements with the relevant property owners is both exempt from the requirements of the California Environmental Quality Act (CEQA) and has been properly evaluated in connection with City Council and Agency Board review and certification of the Final Subsequent Environmental Impact Report (the "FSEIR") for the 2010 Consolidated Amended and Restated Redevelopment Plan (the "Redevelopment Plan").

The Iron Horse Lane project is exempt from CEQA under the categorical exemptions contained in 14 California Code of Regulations Sections 15301 and 15302(c), in that the project constitutes the minor alteration, reconstruction and replacement of an existing private right-of-way with an improved public right-of-way of the same location, dimensions and use.

The environmental impacts of the Iron Horse Lane project were evaluated in the FSEIR that was certified a little more than a year ago. No changes in the project, the environment, or available information have occurred that would require a further CEQA document in connection with the current recommended action. The concurrent City Council and Agency resolutions certifying the FSEIR and making required CEQA findings for the adoption of the Redevelopment Plan included a set of mitigation measures and a monitoring program, the relevant elements of which are incorporated in the Iron Horse Lane project pursuant to the proposed agreements among the City, the Agency and the relevant property owners.

ENCLOSURE: [Draft Resolution](#)

RECOMMENDATION: Staff recommends that the City Council and Redevelopment Agency Board authorize the City Manager, or his designee, and the Redevelopment Agency Executive Director, or his designee, to negotiate and execute Improvement and Maintenance Agreements with the owners of real property abutting Iron Horse Lane, under the conditions described in this staff report, in order to cause the physical improvement and acceptance of Iron Horse Lane from F Street to its southeastern terminus as a public street.

5.3 CONVEYANCE OF THE MUNICIPAL PARCEL TO THE CITY OF FREMONT

Adopt Resolution Authorizing Conveyance of the Municipal Parcel from the Redevelopment Agency to the City of Fremont and Make Related Statutory Findings

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A companion item is on the City Council agenda

Executive Summary: This report recommends the City of Fremont acquire the 40.1-acre parcel known as the Municipal Parcel at Pacific Commons from the Redevelopment Agency for the purposes of developing it as a City Park. The report includes information about the parcel, the benefits the citizens of Fremont would derive if it were purchased as a public park, and a discussion of the applicable policies, goals, and objectives of the Fremont General Plan and the Redevelopment Agency Five-Year Implementation Plan. This report further recommends that the City of Fremont make related statutory findings in connection with the proposed acquisition and resale of the site.

The City's purchase of the property from the Redevelopment Agency will be funded with \$4,372,117 of Development Impact Park Land Acquisition Funds.

BACKGROUND: The City Council has adopted the Consolidated Amended and Restated Redevelopment Plan for the Fremont Merged Redevelopment Project, which sets forth a plan for redevelopment of the Fremont Merged Redevelopment Project Area, in accordance with the California Community Redevelopment Law. The Redevelopment Agency is responsible for administering the Redevelopment Plan, which includes a set of goals and objectives for the Industrial Area. The City's General Plan and the Redevelopment Plan designate an approximately 40.1-acre property, commonly known as the Municipal Parcel at Pacific Commons, for municipal/institutional uses, with the intent that such uses would include high quality municipal facilities to serve the Industrial Area and the entire Merged Project Area and its residents, employees and businesses. Examples of qualifying municipal facilities are a citywide park and a multi-modal transit facility.

In furtherance of the goals, objectives, programs and development guidelines of the General Plan and the Redevelopment Plan, the City and the Agency have cooperated over the years on facilitating the development of the municipal facilities on the Municipal Parcel site. Specifically, in connection with the implementation of the Pacific Commons development on a portion of the Industrial Area containing the property, the City entered into a 2000 Amended and Restated Development Agreement with Catellus Corporation. Pursuant to this Agreement, the City purchased the Municipal Parcel site in 2001 and subsequently conveyed the property to the Redevelopment Agency in order to assist the Agency in securing a site for the transit facility and other municipal facilities. Since then, the City and the Agency have determined that the transit facility will require only a limited portion of the property and that significant additional efforts will be necessary to determine the feasibility of development of the transit

facility. Based on these considerations, staff recommends that the City acquire the Municipal Parcel from the Redevelopment Agency and move forward with development of the City Park on most of the property, which would create near term benefits to the Industrial Area, the Merged Project Area and the entire Fremont community, while preserving the opportunity for future development of the transit facility if such development proves feasible in the future.

DISCUSSION/ANALYSIS:

Pacific Commons Project and Development Agreement: In September 1996, the City Council approved a mixed commercial and industrial business park and a development agreement for the project area, which is located west of Interstate 880, south of Auto Mall Parkway, and north of Fremont Boulevard/Cushing Parkway. This project is commonly known as “Pacific Commons”, and encompasses over 800 acres of land owned by the Catellus Development Corporation. As a condition of approval, the developer was required to establish a 390-acre wetland preserve on site, reducing the developable portion of the property from 682 acres to about 373 acres, including approximately 41 acres of potential City recreational use and train station site and 12 acres for a storm water treatment facility.

The Development Agreement between the City and Catellus contains an option for a bargain-priced purchase of land (\$2.50 per square foot, or \$108,900 per acre) for “...municipal facilities and public purposes that are compatible with the project, including without limitation a public park, a transit station, and ancillary public uses such as local maintenance, parking and minor retail uses....” The City exercised this option on November 1, 2000, in order to purchase the Municipal Parcel at this discounted price before the December 19, 2000 deadline in the Agreement. The Parcel was subsequently purchased by the Agency for the purposes of a transit station.

The property has been evaluated over the years for use as a transit station, power transfer station, parking lot for a major league ballpark proposal, and as a Community Park. In 2008, staff completed some preliminary design studies to analyze how a citywide sports related park could fit on the site, which is shown in Enclosure 1, Exhibit B. The study allows for a 5 to 10 acre transit station adjacent to the railroad tracks and shared parking between the park development and the transit station.

The site provides for a significant opportunity to enhance the citywide park system by adding a much needed sports park facility in an area of the city that would not cause negative impacts to adjacent residential neighborhoods. Impacts for such a large facility would primarily be traffic, ambient lighting, and noise. The Municipal Parcel would allow the park system to address a long standing need to provide cricket fields and additional soccer fields for Fremont residents. In addition to those base line facilities, the site would support tennis, basketball, skating, bicycle racing/training, football, picnic areas, parking, restrooms, and meeting rooms.

Property description: The property under consideration for acquisition as a park is located at the southwesterly terminus of Auto Mall Parkway, at the northwesterly corner of the Pacific Commons project (see Enclosure 3). The Municipal Parcel is Parcel A on Parcel Map 7692.

The exact size and configuration of the park portion of the site have yet to be determined, but staff does not anticipate that the potential transit station will need to be any larger than five acres. Therefore, the City may be able to utilize at least 35 acres, but possibly all 41 acres for a citywide park. The City would use park dedication in lieu fees to purchase the land for this purpose.

Summary of the General Plan Criteria for Selection of Park Sites: This site represents an important opportunity for the City to acquire property, which comes with many assets, such as large size, developable configuration, flat topography, highly discounted acquisition price, and support the development of a new citywide park to serve the entire community. Fremont's vacant land supply is rapidly diminishing, and the number of large parcels that meet the City's criteria is even more limited. Acquisition of this parcel would satisfy a meaningful portion of the City's obligation to expand the park system in order to serve the city's new residents, and to maintain the high level of satisfaction in the park system currently enjoyed by the community.

Recreation Commission Recommendation: On June 1, 2011, the Recreation Commission considered the proposed purchase of the Municipal Parcel site and voted (6-0-0-1) to recommend the following to the City Council:

- That the Municipal Parcel conforms to the Criteria for Selection of Park Sites included in the General Plan.
- To purchase the 40.1-acre site (APN 531-0185-012) from the Redevelopment Agency in the amount of \$4,372,117 and to appropriate funds to 541PWC8758 for the acquisition.

City-Redevelopment Agency Conveyance Agreement: The key terms and conditions of the City and Agency Property Conveyance Agreement for the proposed purchase of the Municipal Parcel contain the following provisions:

- The Agency will sell the Property to the City for a purchase price of \$4,372,117 (\$2.50 per square foot; the same price at which the Agency previously acquired the Property from the City).
- The City will acquire the Property in an "as is" condition and will take the full risk, obligation and cost for putting the Property into developable physical condition, except that the Agency will make available up to \$300,000 of the purchase price as an escrow holdback that the City may use to pay its reasonable costs of removing and hauling to a qualified landfill approximately 6,500 cubic yards of petroleum-impacted soil currently located on the Property.
- The City will be responsible for obtaining funding for and designing and constructing a park on the Property as expeditiously as possible, generally containing the park improvements described and diagrammed in the attached Enclosure 1, Exhibit B.

Redevelopment Law Compliance: The proposed conveyance of the Municipal Parcel site from the Redevelopment Agency to the City will help in addressing the following remaining blight conditions in the Project Area:

- **Need for Regional Transit to Support Industrial Area Development:** The designation of a portion of the Property for the Transit Facility will continue the legacy of region-serving transportation projects undertaken by the Agency in cooperation with the City. These projects have contributed to steady economic development in the region and eliminated considerable blight in the Industrial Area. However, the lack of a public transit alternative to serve the existing and potential employment base of the Industrial Area is an additional impediment to an overall

workable transportation system for this area. Therefore, inaccessibility and underutilization of land continue to impede the economic development of the entire Industrial Area. The addition of a Transit Facility would improve public transportation options for residents of southern Alameda County, contribute to increased economic activity, better circulation and improved access in the Industrial Area, and reflect the City's increasing focus on transit improvements and transit-oriented development as key parts of its overall redevelopment strategy for Fremont.

- **Inadequate Public Improvements:**

- o Parks: One of the ongoing blighting conditions of the Project Area is the lack of public spaces and facilities such as parks and recreational centers. The lack of these facilities inhibits economic development and detracts from the residential attractiveness of Fremont. Region-serving recreational facilities, such as are anticipated on the Property and will be accomplished through the Agreement, will help to fill this need, thereby promoting economic revitalization of the Project Area by attracting additional visitors to local businesses and improving quality of life in Project Area neighborhoods—all of which will contribute to a better physical and economic environment for private sector reinvestment that will further eliminate remaining Project Area blight conditions.
- o Circulation: The Agreement and potential future development of the Transit Station will also enhance traffic conditions in the Industrial Area, thereby improving circulation and making the Industrial Area portion of the Project Area a more attractive and welcoming place to recreate and conduct business.

- **Hazardous Materials Cleanup**: As described above, there is known petroleum-contaminated soil on the Property. The Agreement provides a funding mechanism and contractual requirement for the City to remediate this impacted soil, thereby eliminating an additional blighting condition currently hindering the viable use of the Property.
- **Economic Development**: The development of a Transit Facility and a regionally drawing park/sports complex will result in a high number of new Bay Area users to the Project Area to recreate and shop. Due to the proximity of the proposed park/sports fields to the retail businesses of Pacific Commons, an increase in customer traffic and revenue is expected at Pacific Commons, which will foster continued private investment in the Industrial Area portion of the Project Area.

Consistency with Implementation Plan: The Implementation Plan provides that the Transit Facility may be developed on the Municipal Parcel property to the extent of funding availability. The proposed conveyance of the property from the Redevelopment Agency to the City is consistent with the Implementation Plan in that it:

- Requires the City to use good faith efforts to obtain the necessary funding for, and to determine the feasibility of, development of the Transit Facility;
- Requires the City expeditiously to design and construct the Transit Facility, if such

development is determined to be feasible and the necessary development funds are procured; and

- Pending such determination, requires the City to not develop the portion of the Property designated for the potential Transit Facility for any use that would hinder development of the Transit Facility.

FISCAL IMPACT: The proposed conveyance of the Municipal Parcel site to the City will result in the transfer of \$4,372,117 to the Agency in exchange for the property. Staff proposes placing this money in the Agency's Opportunity/Contingency account until such time as staff returns with a proposal for appropriating the funds.

ENVIRONMENTAL REVIEW: The acquisition of the Municipal Parcel for subsequent development of a transit station and/or City park is within the scope of the physical activities that were evaluated in the Environmental Impact Report (EIR) for the development and use of the area known as Pacific Commons. The Pacific Commons EIR (SCH#1996052016), including the 2000 and 2010 Supplements, was previously certified by the City. There are no substantial changes with respect to the project and/or its circumstances, which require major revisions of the SEIR due to new significant environmental effects, a substantial increase in the severity of previously identified significant effects, or new information of substantial importance as identified in Section 15162 of the CEQA Guidelines. Findings were adopted on May 9, 2000 by the City Council in regards to environmental effects and mitigation measures pertinent to the subject site. The previously adopted mitigation monitoring plan is still in effect for the subject site.

ENCLOSURES:

- [Draft Resolution: Approving a Municipal Parcel Property Conveyance Agreement between the Redevelopment Agency and the City of Fremont](#)
- [Enclosure 2: Summary Report Pursuant to Section 33433 of the Community Redevelopment Law Regarding a Property Conveyance Agreement between the City of Fremont and the Redevelopment Agency](#)
- [Enclosure 3: Parcel Map 7692](#)

RECOMMENDATION:

1. Approve the conveyance of the 40.1- acre Municipal Parcel site (APN 531-0185-012), depicted as Parcel A in Enclosure 3, from the Redevelopment Agency to the City of Fremont in the amount of \$4,372,117 and make related statutory findings; and
2. Deposit the sale proceeds in the Redevelopment Agency Opportunity/Contingency account (RDA1026).

5.4 REDEVELOPMENT AGENCY ISSUANCE OF TAX ALLOCATION BONDS

Re-Authorization to Issue 2011 Redevelopment Agency Tax Allocation Bonds

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Companion reports are on tonight's agendas for the City Council and the Fremont Public Financing Authority.

Executive Summary: On January 17, 2011, the City Council and the Redevelopment Agency (RDA) Board approved the issuance of up to \$140 million of tax allocation bonds by the Redevelopment Agency for the construction of infrastructure projects, the most significant one being the Irvington BART station. On January 25, 2011, the Public Financing Authority authorized the purchase and sale of the RDA's tax allocation bonds. The bonds were scheduled to price on February 24, but that did not occur because of uncertainty created by the posting of proposed legislation to "disestablish" redevelopment agencies on the State Department of Finance's website late in the day on February 23. On March 8, 2011, the City Council, Redevelopment Agency Board, and Public Financing Authority Board all directed staff to suspend the transaction because of uncertainties related to the Governor's budget proposal to eliminate redevelopment in California, and because the Agency had not yet formalized its arrangements with BART for construction of the Irvington BART station. Since that time, no further legislative action has been taken to eliminate redevelopment, and staff has made progress with BART with respect to construction of the Irvington BART station. Because of inaction by the State Legislature to eliminate redevelopment and progress made with BART with respect to construction of the Irvington BART station, staff believes it is prudent and in the best interests of the Agency, the City and the Authority to re-authorize the issuance of the 2011 Redevelopment Agency Tax Allocation Bonds in the aggregate principal amount of \$140 million.

BACKGROUND: On January 10, 2011, the Governor released his 2011/12 budget proposal. The May update of his budget proposal (the so-called "May Revise") was released on May 16, 2011. A major provision of the Governor's original budget proposal, which is still included in the May Revise, is the proposed elimination ("disestablishment") of redevelopment agencies throughout the State by July 1, 2011. The elimination of redevelopment agencies as of July 1, 2011 would potentially mean the following:

- Full Agency closure by July 1, 2011. There would be no new allocation of tax increment revenues in future years, with the exception of sufficient future property taxes needed to meet future scheduled payments of each agency's existing obligations and debt service. A local "successor agency" would be established, whose purposes would be solely to receive sufficient future property taxes to make payments to retire the agency's existing debts and obligations, to liquidate the agency's assets, and to wind up the agency's existence.

- Unspent and unencumbered Housing Fund balances would, if elected by the City, be retained by the City. If the City elects to retain the housing function of the former RDA (staff assumes it would choose to do so), then all rights, powers, assets, liabilities, duties and obligations associated with the housing function would remain with the City but with no future funding for affordable housing proposed.

This continues to be a contentious proposal, currently without sufficient support in the Legislature for enactment. Both the California Redevelopment Association and the League of California Cities continue to vigorously lobby against this proposal, and two redevelopment reform bills, SB 450 relating to housing reforms, and SB 286 relating to general reforms of redevelopment, have been introduced and are under consideration. There appears to be no more certainty that the Governor's proposal will be enacted now than there was three months ago.

DISCUSSION/ANALYSIS: With the adoption of the 2010 Merged Project Area Plan Amendment, a revenue stream has been secured for construction of future redevelopment-related improvements, including the Irvington BART station. As a result, the Agency and City initiated activity on the Irvington BART project, including approval of a \$5.3 million pre-engineering funding agreement with BART to begin the process of moving forward with the Irvington BART station. Staff has been working closely with BART staff to formalize the responsibilities for the process of land acquisition, development and construction of the station. If developed soon, BART has indicated it can build the station as part of the development of the Warm Springs extension, thereby saving the Agency significant costs.

Given the Agency's other priority projects and its low available cash position, discussions have been underway for some time to issue Tax Allocation Bonds to raise the \$120+ million in funding necessary for BART station construction.

Proposed Debt Issue: Issuance of tax allocation bonds is a routine method for financing redevelopment projects prior to collection of tax increment. Although the tax increment revenue cap in the Industrial project area was recently raised from \$400 million to \$1.5 billion, those revenues will be received over the next 25 years. Issuing tax allocation bonds means those resources are available for large projects sooner. Staff has been contemplating the issuance of debt for construction of the Irvington BART station, the largest project funded by the Plan Amendment, since the raising of the tax increment revenue cap. Since the original authorization to proceed with this transaction, staff has worked with the financial advisor (KNN Public Finance), bond counsel (Quint & Thimmig), Redevelopment Agency special counsel (Goldfarb & Lipman), and underwriters (Goldman Sachs) to structure and market this issue. The proposed issue has been rated A+ by Standard & Poor's and A-2 by Moody's. Both ratings reflect the financial strength of the Agency, as well as the solid nature of the project to be funded with the bond proceeds.

Proposed Financing Structure: The following estimated amounts reflect market conditions at the time of agenda preparation. The actual costs may differ from this estimate at the time of bond sale, but the maximum principal amount will not exceed the \$140 million proposed par amount. The following information is based on an estimated issuance amount of \$134,720,000.

Par Amount	\$134,720,000
Term	25 Years, Final Maturity September 1, 2036
Average Interest Rate	6.10%
All-Inclusive True Interest Cost	6.37%
Average Annual Debt Service Payment	\$10,624,050
Reserve/Capitalized Interest Fund	\$10,698,406

The All-Inclusive True Interest Cost includes underwriter's fees and costs of issuance (legal and financial consultant fees, trustee fees, credit rating agency fees, etc.). Although the City has experienced lower interest costs on its variable rate demand certificates of participation, fixed rate financing is the more common structure for tax allocation bonds. Although the City and Agency generally sell long-term debt competitively, this transaction is proposed as a negotiated sale because of the unique circumstances in the municipal markets with respect to redevelopment agency debt issues. The financial advisor for this transaction, KNN Public Finance, requested proposals from a number of underwriters as to their approach and fees for this particular transaction. The successful proposer was Goldman Sachs, based on both their fees and their approach to aggressively marketing this issue to obtain the most beneficial interest rate for the City, the Agency and the Authority.

To effectuate this transaction, the Authority would purchase the 2011 Bonds from the Agency and concurrently resell the bonds to the underwriter, so long as the total underwriter's discount, excluding original issue discount (which does not constitute compensation to the underwriter), does not exceed 3% of the principal amount of the 2011 Bonds. In addition, the true interest cost of the Bonds could not exceed 8.25%, and the final maturity date could not be later than September 1, 2036. If State legislation is enacted to prohibit the sale, this debt issuance will be postponed or cancelled.

The issuance of the Bonds will be conditioned on the Agency and the City entering into a satisfactory definitive agreement for the Agency to fund and BART to design and construct the Irvington BART station with City input, review and oversight. That agreement with BART is being readied for Agency Board and City Council consideration, tentatively scheduled for June 21. At the time the Agency Board and the City Council are requested to act on the BART agreement, they will also be asked to make the appropriate CEQA compliance determinations and Community Redevelopment Law findings related to the Agency's proposed public improvements grant to BART for the Irvington Station design and construction.

The following table shows the estimated sources and uses of bond proceeds:

SOURCES:

Par Amount	<u>\$134,720,000</u>
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USES:

Projects	\$120,000,000
Reserve/Capitalized Interest Fund	10,698,000
Underwriter's Discount	662,000
Cost of Issuance	535,000
Net Original Issue Discount	<u>2,825,000</u>

TOTAL USES	<u>\$134,720,000</u>
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If the Legislature approves the Governor's budget proposal to eliminate redevelopment, then beginning in fiscal year 2012/13, the property tax revenue that, under current law would have been considered property tax increment, would be first used by the "successor agency" to the disestablished Fremont Redevelopment Agency to pay the recognized debts of the former Redevelopment Agency. The balance of such freed-up property taxes would then be divided among the taxing entities and local jurisdictions. This would mean that instead of a pass-through payment from the Agency, the City would receive its normal property tax share (approximately 15%) of such freed-up property tax revenues, including incremental assessed valuation growth in the redevelopment project areas.

FISCAL IMPACT: The Redevelopment Agency currently receives approximately \$34.5 million in tax increment revenue annually. If no new Agency indebtedness is issued and this revenue instead were to be distributed to the City and other taxing entities under an enacted form of the Governor's budget proposal, the City's share would be approximately \$4-5 million. This assumes the Agency has no other existing outstanding debt and the current Agency/City Master Public Improvements Agreement is not followed in the future. This General Fund revenue would be unrestricted and the City would be free to spend the revenue however it chooses.

If the Agency were to issue bonds that are recognized as a pre-existing debt under an enacted version of the Governor's budget proposal, the pool of available property tax revenue would be reduced by an amount that the "successor agency" would first draw down to pay the annual bond debt service, with a resulting impact on the City's General Fund. With annual debt service of \$10.7 million, the net property tax revenue to be distributed among local governments after payment of the proposed bond debt service would be \$34.5 million minus \$10.7 million, or \$23.8 million. While this would mean a decrease of \$1.6 million in net tax revenue to the City's General Fund (\$3.6 million instead of \$5.2 million), it would mean that \$120 million for construction of the Irvington BART station would be secured.

Financing Team: Staff will continue working with KNN Public Finance as financial advisor, and Quint & Thimmig as bond counsel and disclosure counsel. Goldfarb & Lipman, special counsel retained by the Agency, will also review the documents. Seifel Consulting, Inc., the Agency's financial consultant, will provide the analysis to make sure that tax increment to be collected is sufficient to pay the obligation. Union Bank will serve as bond trustee, and Goldman Sachs will serve as underwriter.

ENVIRONMENTAL REVIEW: None required.

ENCLOSURES:

- [Draft Resolution](#)
- [Preliminary Official Statement](#)

RECOMMENDATION: Staff recommends that the Redevelopment Agency Board act as follows:

1. Approve the issuance of the 2011 Tax Allocation Bonds.
2. Adopt a resolution authorizing the issuance and sale of tax allocation bonds to finance redevelopment activities within or for the benefit of the Agency's Fremont Merged Redevelopment Project and approving related documents and actions. The financing documents are as follows:

- Preliminary Official Statement

- Indenture of Trust
 - Bond Purchase Agreement
 - Continuing Disclosure Certificate
3. Authorize and direct the Executive Director, the Secretary, and any and all other officers of the Agency to take any and all actions necessary to consummate the lawful issuance and sale of the 2011 Tax Allocation Bonds.
 4. Approve the sale of tax allocation bonds on a negotiated basis, as determined by market conditions at the time of sale.